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Message Text

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53
ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 PA-03

PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 HUD-02 AGR-20 DOTE-00

FAA-00 INT-08 HEW-08 EURE-00 RSR-01 /203 W
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P R 121635Z JUL 73
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 9786
INFO AMEMBASSY BERN
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AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
USMISSION OECD PARIS
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AMEMBASSY TOKYO
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL FLORENCE UNN
AMCONSUL GENOA UNN
AMCONSUL PALERMO UNN
AMCONSUL TRIESTE UNN
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SUBJECT: NEW ITALIAN GOVERNMENT'S ECONOMIC PROGRAM

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1. SUMMARY. DOCUMENT PURPORTED TO BE FULL TEXT OF

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NEW GOVERNMENT'S ECONOMIC PROGRAM APPEARED IN "IL FIORINO"
JULY 7. FOLLOWING ARE HIGHLIGHTS: RUMOR GOVERNMENT'S STATED
GOALS ARE TO ENCOURAGE ECONOMIC RECOVERY NOW UNDERWAY, WHILE
CURBING INFLATION. LATTER TO BE ACHIEVED BY LIMITING BUDGET
DEFICIT, EXPANDING PRICE AND RENT CONTROLS AND AVOIDING EXCESSIVE
WAGE INCREASES. BY LIMITING INFLATION, HEALTHY ECONOMIC RECOVERY
CAN CONTINUE, SOCIAL REFORMS CAN BE ADOPTED AND ITALIAN PRODUCTS
REMAIN COMPETITIVE IN FOREIGN MARKETS. END SUMMARY.

2. /GENERAL ECONOMIC POLICY/. NEW GOVERNMENT PROPOSES
TO FOLLOW POLICY OF PUBLIC SPENDING WHICH WILL NOT CONDONE
INFLATIONARY EXPENDITURES. MONETARY EXPANSION TO BE
KEPT CONSISTENT WITH REAL GROWTH RATE. PRODUCTION
TO BE ENCOURAGED TO KEEP PACE WITH GROWING DEMAND.
EXCESSIVE EXPANSION OF DEMAND WOULD BE REGULATED MAINLY
BY FISCAL POLICY. DISEQUILIBRIUM IN INCOME DISTRIBUTION
TO BE AVOIDED WITH COOPERATION OF UNIONS.

3. /PUBLIC FINANCE/. BUDGET DEFICIT, ALREADY HIGHER
THAN IN PRECEDING YEARS, MUST BE KEPT AT PRESENT LEVEL
AND NEW EXPENDITURES FINANCED BY REDUCING OTHER EX-
PENDITURES OR BY NEW TAX REVENUES. SOME NEW EXPENDITURES
MIGHT BE FINANCED THROUGH REALLOCATION OF PREVIOUSLY-
OBLIGATED BUT UNSPENT FUNDS (RESIDUI PASSIVI).
GOVERNMENT PLANS PERIODIC REPORTS ON PUBLIC EXPENDITURES AND
WILL INSIST THAT ANY APPROPRIATION LEGISLATION BE
CONSISTENT WITH FINANCIAL GUIDELINES AND OBJECTIVES
ESTABLISHED BY ECONOMIC PLAN. TAX REFORMS (DIRECT
TAXES) ARE TO BE COMPLETED AS SCHEDULED BY JANUARY 1,
1974. CURRENTLY OUTSTANDING CASES OF TAX LITIGATION
ARE TO BE RESOLVED BY MEANS OF LEGISLATIVE ACTION (E.G.,
TAX AMNESTY); TAX EVASION IS TO BE REDUCED AND TAX ADMINIS-
TRATION IS TO BE REORGANIZED.

4. /BALANCE OF PAYMENTS/. GOVERNMENT BELIEVES THAT
STABILIZATION OF FOREIGN VALUE OF LIRA AND AVOIDANCE OF
BALANCE OF PAYMENTS DISEQUILIBRIUM IS CONSISTENT
WITH DEVELOPMENT GOALS. IN ORDER FOR LIRA TO RE-ENTER
EC CURRENCY "SNAKE," THERE IS NEED TO REINFORCE EC MONETARY
ARRANGEMENTS. SINCE REJOINING SNAKE WOULD MEAN ACCEPTING CERTAIN
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CONSTRAINTS ON ECONOMIC POLICY, THERE IS NEED
TO ADAP EC INSTITUTIONS, INCLUDING EUROPEAN
MONETARY COOPERATION FUND AND EC REGIONAL
POLICY. GOVERNMENT PROPOSES TO GIVE HIGH PRIORITY TO ANTI-
INFLATION EFFORTS AND TO REFORM OF COMPANY LAW
TO ENROURAGE INVESTMENTS WITHIN ITALY AND THUS CURB
CAPITAL FLIGHT.

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5. /ANTI-INFLATION PROGRAM/. THOUGH INFLATION IS OBVIOUSLY INTERNATIONAL PHENOMENON, ITALY HAS RECENTLY EXPERIENCED HIGHEST INFLATION RATE WITHIN EC AND IS THREATENED WITH ECONOMIC ISOLATION AS A RESULT. THEREFORE, GOVERNMENT PROPOSES URGENT ACTIONS. FOOD PRICE INCREASES ARE TO BE CONTAINED BY IMPORTING FOODSTUFFS THROUGH STATE ENTITIES AND COOPERATIVES. WHEN IMPORTS ARE BY PRIVATE BODIES, AGREEMENTS COULD BE REACHED ON SIZE OF MARK-UPS. SYSTEM OF DISTRIBUTION MUST BE REORGANIZED TO REDUCE EXPENSIVE MIDDLEMEN. PRICE DISCIPLINE MEASURES ARE TO BE ADOPTED TO COVER OTHER ITEMS WHICH FIGURE IN COMPUTATION OF COST-OF-LIVING INDEX. MINISTERIAL PRICE COMMITTEE (CIP) IS TO BROADEN ITS COMPETENCE TO COVER SOME INDUSTRIAL PRODUCTS, FOR WHICH NO PRICE INCREASES WOULD BE GRANTED WITHOUT SPECIFIC AUTHORIZATION. MEANWHILE, PUBLIC UTILITY RATES ARE TO BE TEMPORARILY FROZEN AT CURRENT LEVELS. EXISTING REGULATION OF RENTS IS TO BE EXPANDED IN COVERAGE IN MANNER TO BE PROPOSED BY SPECIAL COMMITTEE WITHIN SIX-MONTH PERIOD. IN MEANTIME, RENTS TO BE FROZEN AT CURRENT LEVELS.

6. /INDUSTRIAL POLICY/. INDUSTRIAL POLICY SEEKS EXPANSION OF PRODUCTION TO ACHIEVE FULL EMPLOYMENT, DEVELOPMENT OF MEZZOGIORNO AND INCREASE IN SOCIAL SPENDING. AS BEFORE, INDUSTRIAL DEVELOPMENT IN SOUTH WILL BE ENCOURAGED WHILE EXISTING PLANTS IN NORTH ARE TO BE MODERNIZED TO KEEP THEM COMPETITIVE WITH THOSE ABROAD. GOVERNMENT FUNDS FOR INDUSTRIAL RESEARCH AND GOVERNMENT PROCUREMENT WILL FAVOR ITALIAN INDUSTRIAL DEVELOPMENT. TAX INCENTIVES TO ENCOURAGE INDUSTRIALIZATION OF SOUTH WILL BE LINKED TO EFFECTIVENESS IN REDUCING UNEMPLOYMENT WHILE IN THIS REGION, ESPECIALLY, EMPLOYER CONTRIBUTIONS
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TO EMPLOYEE SOCIAL BENEFITS WILL BE CREDITED AGAINST TAXES. TOURIST INDUSTRY IN SOUTH IS TO BE ENCOURAGED THROUGH BUILDING OF ROADS, PUBLIC UTILITIES, ETC.

7. /AGRICULTURAL POLICY/. GOVERNMENT PROGRAM CALLS FOR REVISION OF EC PRICE POLICY WHILE CARRYING OUT EC DIRECTIVES CONCERNING DEMOGRAPHIC BALANCE AND RE-ORGANIZATION OF LAND USE. PROGRAM AIMS AT IMPROVING QUALITY OF CERTAIN AGRICULTURAL PRODUCTS AND THEIR BETTER DISTRIBUTION. IT ALSO CALLS FOR MORE INDUSTRIALTYPE FARMING LINKED TO AGRICULTURAL PROCESSING IN-DUSTRY IN SOUTH. FINALLY, BETTER USE IS TO BE MADE OF EC AGRICULTURAL FUNDS RECEIVED BY ITALY.

8. /GOVERNMENT INTERVENTION/. PROGRAM CALLS FOR SPECIFIC GOVERNMENT INTERVENTION IN NUMBER OF ECONOMIC FIELDS

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